

**PUBLIC SAFETY PERSONNEL
RETIREMENT SYSTEM**

LOCAL BOARD

**REGULAR MEETING
AGENDA**

**JULY 27, 2017
7:00 AM**

**EAGAR POLICE DEPARTMENT
MEETING ROOM
174 SOUTH MAIN STREET
EAGAR, AZ 85925**

NOTICE OF THE REGULAR MEETING OF THE
EAGAR PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
LOCAL BOARD
JULY 27, 2017 – 7:00 A.M.
174 S. MAIN STREET
EAGAR POLICE DEPARTMENT MEETING ROOM, EAGAR, AZ

PURSUANT TO A.R.S. 38 431.02, NOTICE IS HEREBY GIVEN TO THE MEMBERS OF THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM LOCAL BOARD OF THE TOWN OF EAGAR AND THE GENERAL PUBLIC THAT THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM LOCAL BOARD WILL HOLD A REGULAR MEETING OPEN TO THE PUBLIC **ON JULY 27, 2017, BEGINNING AT 7:00 A.M., AT THE EAGAR POLICE DEPARTMENT MEETING ROOM LOCATED AT 174 S. MAIN STREET, EAGAR, ARIZONA.**

AGENDA

1. CALL TO ORDER

2. OPEN CALL TO PUBLIC

3. UNFINISHED BUSINESS

4. NEW BUSINESS

- A. DISCUSSION AND CONSIDERATION TO APPROVE THE MINUTES OF THE PSPRS LOCAL BOARD OF JANUARY 26, 2017
- B. DISCUSSION AND CONSIDERATION OF TOWN OF EAGAR'S RECOMMENDATION FOR REPAYMENT TO MEMBER'S FOR OVERPAID CONTRIBUTIONS AND THE PAYMENT OF UNFUNDED LIABILITY FOR THE TOWN OF EAGAR'S PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM MEMBERS
- C. DISCUSSION AND CONSIDERATION TO ELECT A NEW LOCAL BOARD SECRETARY

5. SIGNING OF DOCUMENTS

6. ADJOURNMENT

IF ANYONE WISHING TO ATTEND THIS MEETING HAS SPECIAL NEEDS DUE TO A DISABILITY, PLEASE CONTACT THE TOWN CLERK AT 928-333-4128 TWENTY-FOUR HOURS PRIOR TO THE MEETING AND ACCOMMODATIONS WILL BE PROVIDED. ANYONE NEEDING INFORMATION ON THE CURRENT MEETING PLEASE CONTACT THE TOWN CLERK AT 928-333-4128

POSTED BY: EVA WILSON

DATE: JULY 24, 2017
TIME: 4:00 PM

**MINUTES
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
EAGAR LOCAL BOARD**

**Eagar Council Chambers, 22 W. 2nd Street, Eagar
January 26, 2017 – 7:00 A.M.**

PRESENT: Councilor Winslow McNeill, Chairman
Michael Sweetser
William Gleeson
Dennis Gilliam
Melissa Wallace (Telephonically)
Eva Wilson, Local Board Secretary (non-voting member)
Katie Brady, Eagar Finance Manager (presenter)

ITEM #1: CALL TO ORDER

Chairman Winslow McNeill called the meeting to order at 7:00 a.m. Mr. McNeill stated to let the record show that a quorum is present.

ITEM #2: OPEN CALL TO THE PUBLIC

None.

ITEM # 3: CONSENT AGENDA

- A. APPROVAL OF THE MINUTES OF THE PSPRS LOCAL BOARD OF AUGUST 25, 2016
- B. ACCEPTANCE OF THE APPLICATION FOR A SEPARATION REFUND FROM PSPRS FOR BRANNON ROSS EAGAR AS OF AUGUST 29, 2016
- C. ACCEPTANCE OF CLINTON MALY'S NEW MEMBERSHIP INTO THE PSPRS THROUGH THE EAGAR POLICE DEPARTMENT EFFECTIVE NOVEMBER 5, 2016

Dennis Gilliam made a motion to approve the Minutes of the PSPRS Local Board of August 25, 2016; acceptance of the application for a separation refund from PSPRS for Brannon Ross Eagar as of August 29, 2016; and acceptance of Clinton Maly's new membership in the Eagar Police Department PSPRS effective November 5, 2016. Mike Sweetser seconded; all were in favor, motion carried unanimously. 5-0

ITEM #4: UNFINISHED BUSINESS

None.

ITEM #5: NEW BUSINESS

A. PRESENTATION BY EAGAR FINANCE MANAGER KATIE BRADY ON THE FINANCIAL STATUS OF THE EAGAR POLICE DEPARTMENT PSPRS

Chair Winslow McNeill directed the Board to the Actuarial Report for the Eagar Police Department specifically page *Appendix A-2* where it shows the current employer contribution rate with projections showing a very dramatic increase over time.

Finance Manager Katie Brady stated that is correct and she directed the Board to page *A-2 Contribution Requirements* which shows the Town's next two years fiscal years. The report ends June 30, 2015, and 2016 designating the Town's contribution rate for fiscal years 2017, and 2018. Ms. Brady believes for the fiscal year 2018/2019 the reflected contributions are the best guess taken by PSPRS as it is unknown what impact the new Tier 3 will bring and due to the other unknowns. For fiscal year 2017/2018 the Eagar contribution requirement will be at 47.24%. It is believed that the contribution requirement in 2018/2019 at 78.31% will be realized and the Town will have to find an additional \$135,000 to meet that increase. The Alternative Contribution Rate (ACR) was for a time at 9% and shows for fiscal year 2018/2019 an increase to 62.42%.

Ms. Brady stated she has called PSPRS numerous times to get an explanation of why the 2015 (after phase-in) unfunded actuarial accrued liability is at 31.11% and then doubles in 2016 to 62.89% (page *A-5*). She has yet to receive a return call by anybody knowledgeable enough to give her a satisfactory answer.

On page *B-1* the accrued liability dollars are shown with 2015 at \$2.4 million and is jumping up in 2016 to \$3.1 million. Ms. Brady is unsure if that is an actuarial or projection and is another question she has for PSPRS. The funding ratio in 2015 was at 48.6% and the Town needs to be at 100% and that is the reason for the increase in the Town's contribution. It is dropping 6% for 2016.

On page *B-2* the funding ratio for the following year is shown through the year 2028 with a contribution rate near 80% for the next ten years. Ms. Brady is also going to question PSPRS if these projections include the 4% that will be refunded to the members due to the *Hall* case.

B. DISCUSSION OF LATEST INFORMATION REGARDING THE HALL LAWSUIT COURT DECISIONS AND LEGISLATIVE UPDATE AS OF 2016

Local Board Secretary Eva Wilson gave an update on the latest information that has been generated by PSPRS. Pension reform was necessary for PSPRS starting in 2002 with a realization for the need to diversify in the defined benefit plan and then again in 2008-2009 getting legislative approval for that diversification.

Mike Sweetser stated after Tier 2 was implemented in 2011, it was followed by the Arizona Supreme Court overturning two provisions of the state law, and was then followed by *Hall vs. EORP* that further eroded the attempt at pension reform. It is certain that the member contribution rates 11.65% enacted in 2011 will be reduced to 7.65% and there is to be a refunded amount to members for the difference of 4%, however, the full financial impact on the entities is unknown at this time. Even as PSPRS must provide those partial refunds, the full impact of the refunds will fall onto the employer's finances in the end.

Ms. Wilson forwarded the information put out by PSPRS relating to Tier 3 and SB1428 which takes effect July 1, 2017. Tier 3 allows for a Defined Contribution Plan. The member will have a choice to participate in the Defined Benefit Plan or the Defined Contribution Plan. The member will have 90 days to choose their plan and while the 90 days are ticking there are no contributions being made nor service credits being earned. Contributions and service credits begin at the 91st day. The contribution rate for the Defined Contribution Plan option will be 9% with a 50/50 match and the member can choose during selection whether to increase that contribution above 9% with no other match from the employer. The member decision to participate in the Defined Benefit Plan or Defined Contribution Plan is irrevocable as is the amount the member wants to contribute into the Defined Contribution Plan above the 9%. The member enrolled in the Defined Contribution Plan will be able to enroll in a disability option that the member and employer will contribute to at a 50/50 match. There are no other benefits such as survivor benefits or cost of living adjustments with the Defined Contribution Plan.

The Defined Benefit Plan under Tier 3 defines normal retirement as 15 years of credited service and age 55. Contribution rate in the Defined Benefit Plan will be split 50/50.

Ms. Wilson stated the Town finance and payroll department is going to have more to keep track of and budgeting will be more of a guess because the employer will not know what contribution rate (and disability option) the member is going to choose. Tier 1 and Tier 2 should fall into line together on the contributions so there won't be that inconsistency as well. It is understood at this point that Tier 1 and Tier 2 are in one bucket and Tier 3 is a stand-alone. The hybrid version of Tier 3 does not apply to the Eagar PSPRS members as they pay into social security.

PSPRS is planning to hold an Employer Seminar May 16, 2017, and at that point all the unknowns, court determinations, and processes should be determined by the July 1, 2017 effective date.

ITEM #6: EXECUTIVE SESSION

- A. EXECUTIVE SESSION AS ALLOWED BY A.R.S. § 38-431.03.A2 - DISCUSSION OF RECORDS EXEMPT BY LAW FROM PUBLIC INSPECTION, INCLUDING THE RECEIPT AND DISCUSSION OF INFORMATION OR TESTIMONY THAT IS SPECIFICALLY REQUIRED TO BE MAINTAINED AS CONFIDENTIAL BY STATE OR FEDERAL LAW – REVIEW OF EAGAR NEW PSPRS MEMBER'S MEDICAL HISTORY

Mike Sweetser made a motion to go into Executive Session [at 7:35 a.m.] Will Gleeson seconded; all were in favor, motion carried unanimously. 5-0

Will Gleeson made a motion to reconvene into Regular Session [at 7:38 a.m.] Mike Sweetser seconded; all were in favor, motion carried unanimously. 5-0

**B. DISCUSSION AND CONSIDERATION OF ANY ACTION DEEMED NECESSARY
FROM THE EXECUTIVE SESSION**

Chair Winslow McNeill advised the Board a motion is needed to accept the pre-existing medical conditions as discussed in Executive Session.

Will Gleeson made a motion to accept the pre-existing medical conditions as record, as discussed in Executive Session. Dennis Gilliam seconded; all were in favor, motion carried unanimously. 5-0

ITEM #7: SIGNING OF DOCUMENTS

The Minutes of August 25, 2016 were signed; Brannon Ross Eagar's Separation Refund, and Clinton Maly's new membership forms have been signed by Local Board Secretary Eva Wilson and forwarded to PSPRS.

ITEM #8: ADJOURNMENT

Mike Sweetser made a motion to adjourn the meeting [at 7:39 a.m.] Will Gleeson seconded; all were in favor, motion carried unanimously and the meeting adjourned. 5-0

Chair Winslow McNeill

Eva Wilson

From: brettrigg@rigglawfirmaz.com
Sent: Tuesday, July 18, 2017 10:06 PM
To: e.wilson@eagaraz.gov
Cc: mbowen@rigglawfirmaz.com
Subject: Conflict of Interest

Eva,
I reviewed the agenda item and believe that it would be smart to have the two members who also serve as Eagar PSPRS Local Board Members declare a conflict and not vote. It just has the appearance of impropriety if they are voting to give themselves a repayment. I usually don't like to declare conflicts of interest, but I think it appropriate in this situation.

Brett R. Rigg, Esq.



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Assistant: Megan Bowen mbowen@rigglawfirmaz.com

TOWN OF EAGAR

MEMORANDUM

TO: Eagar PSPRS Local Board
FROM: Katie Brady, Finance Manager
DATE: July 20, 2017
SUBJECT: HALL-PARKER PAYMENTS

The State Supreme Court has ruled that the increased employee contribution rates to their retirement plan that began July 1, 2011 were unconstitutional and therefore those employees and retirees affected need to be paid back.

Per federal regulations, the refunds cannot be paid back by PSPRS to members, but instead must be paid by employers. Additionally, all contributions being returned are considered wages and must be taxed as such. However, the interest payments are not considered wages and do not need to be taxed by the employer, provided the employer receives a Form W-9 for each affected employee or retiree.

Eagar Police Department has 7 affected employees or retirees totaling a refund balance of \$41,278.62.

Prejudgment and post-judgment interest have not been ruled on yet. We have been told to expect an interest rate between 5%-10%. Prejudgment interest will be calculated by PSPRS and sent to us when the courts finally rule on it.

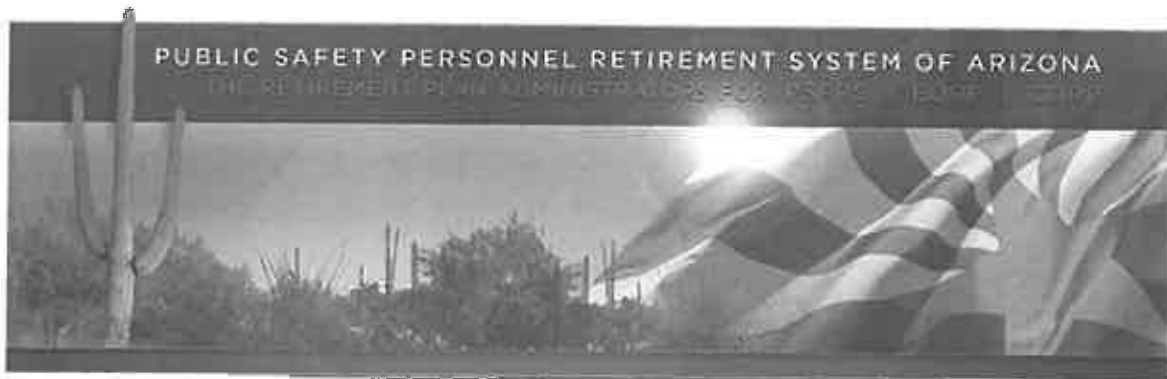
Post-judgement interest will be calculated by using this formula:

Post-judgment Interest Amount = Total of Contributions and Pre-judgment
Interest x Interest Rate x Number of Days Between June 29 and Payout / 365

The Town recommends you to consider a lump-sum payout to avoid additional post-judgment interest being accrued.

Katie Brady
Finance Manager

From: PSPRS <communications@psprs.com>
Sent: Tuesday, July 18, 2017 3:37 PM
To: e.wilson@eagaraz.gov
Subject: PSPRS: Important Hall lawsuit interest payment information



IMPORTANT *HALL* LAWSUIT NOTICE

PSPRS was informed last week that the *Hall* lawsuit impacting Tier 1 EORP members has finally come to a conclusion. As such, prejudgment interest was awarded at 4.25% up through June 28, 2017. Those interest amounts have been calculated and updated to the Employer and Local Board portals today. As a reminder, the prejudgment interest amounts will be included in the credit amounts available for employer use. These individual amounts will be available in the Members Only portal within the coming days.

The post-judgment interest rate has been determined to be 5.25% where each employer will need to calculate those individual amounts. As a reminder, the post-judgment interest amounts will not be included in the credits available to employers.

To calculate the post-judgment interest, you may use the following formula:

$$\text{Post-judgment Interest Amount} = \text{Total of Contributions and Pre-judgment Interest} \times .0525 \times \text{Number of Days Between June 29 and Payout} / 365$$

This should be calculated on an individual basis for each of your members. Also, this formula assumes you will pay out the contributions and the interest on the same day. If you are planning to pay them out separately, then apply the same formula to the separate amounts (the only difference will be the entry for the "number of days between June 29 and payout.")

Now that the *Hall* case is officially over, the courts have begun to address the *Parker* case for PSPRS members. While the remedies will be similar as to the statutory

reference for the amount of interest, the actual rate applied to pre-judgment interest could be different. Therefore, we appreciate your patience as this case is adjudicated to completion.

Public Safety Personnel Retirement System

Contact Us |

Members

Employers

Local Boards

Contact Information:
PSPRS Administrative Offices
(Also for CORP & EORP)

3010 E. Camelback Rd., Suite 200
Phoenix, AZ 85016

602.255.5575 Telephone
602.255.5572 Fax

Connect with us



[Website](#) [Investments and Financials](#) [Employers & Local Boards](#) [Legislation](#)

PSPRS | 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016

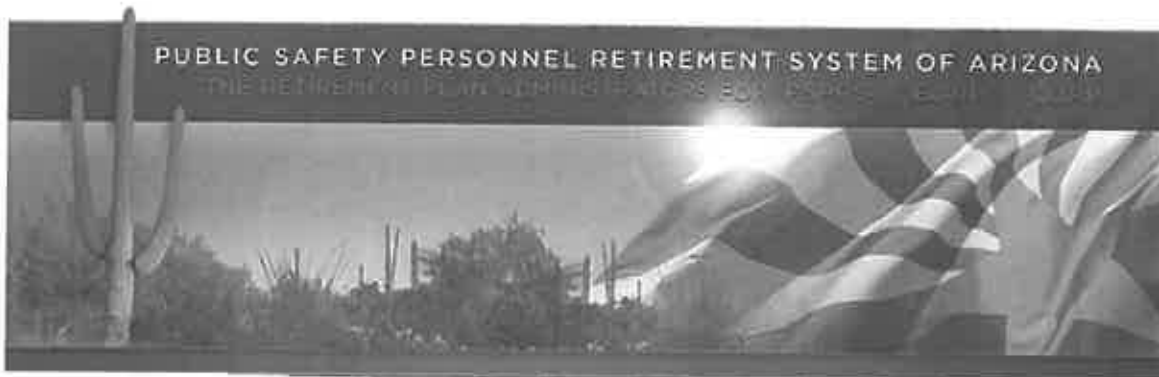
[Unsubscribe e.wilson@eagaraz.gov](mailto:e.wilson@eagaraz.gov)

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Constant Contact 
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From: PSPRS <communications@psprs.com>
Sent: Friday, July 21, 2017 3:32 PM
To: e.wilson@eagaraz.gov
Subject: PSPRS: A message for our employers and members



A statement from the chairman of the PSPRS Board of Trustees

We sympathize with the many local governments and entities across Arizona that are struggling to keep up with their public safety retirement expenses. We understand that these rising expenses impact people and communities, and are not just numbers on a piece of paper.

We'd like to take the opportunity to thank our employers, boards and members, who are also taxpayers, and explain some of the functions and accomplishments of PSPRS that otherwise go unmentioned or minimized in media coverage.

Our sole intention is to provide accurate information to our stakeholders, policymakers, and the public and to react to the accidental and deliberate spreading of misconceptions.

Please consider the following:

- PSPRS pension reforms will take time to produce lower contribution rates for employers
- PSPRS, its employers and members have negotiated two significant cost-saving pension reforms within the last five years
- PSPRS investment staff inherited and transformed a high-risk portfolio that once lost \$1 billion in a single year into a trendsetting portfolio that generates significant returns while avoiding the risk of losses that could irreparably harm employers and members
- PSPRS investment performance now beats benchmarks for 1, 3, 5 and 10-year periods

- PSPRS is outperforming a peer group of more than 100 private investment funds with similar low-risk allocation strategies
- PSPRS investment returns for the 2017 fiscal year are likely to exceed 12 percent
- No public pension in the U.S. achieved their assumed earnings rate last year – and many even lost money. PSPRS generated a return, increased assets and distributed \$1 billion to retirees and survivors
- The PSPRS Board of Trustees were appointed less than a year ago and state law requires the independent trustees to have extensive financial knowledge and experience
- Different portfolios – such as PSPRS, ASRS and the State Land Trust – have different risk levels due to their liabilities and different investment strategies which makes an apples-to-apples comparisons impossible, perhaps meaningless

Thank you on behalf of PSPRS staff,

Brian Tobin

Chairman of the PSPRS Board of Trustees

Public Safety Personnel Retirement System

Contact Us !

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MEMORANDUM

TO: Eagar PSPRS Local Board

FROM: Eva Wilson, Eagar PSPRS Local Board Secretary

DATE: July 6, 2017

SUBJECT: Local Board Secretary Election

I have served the Eagar PSPRS Local Board for well over 20 years and alas it is time to move on to other opportunities, as I have announced my retirement from the Town of Eagar.

The Eagar PSPRS Local Board will need to select a new board secretary to help set agendas, take minutes, and shuffle the necessary documents for its members. Arizona Revised Statutes states *that the Local Board shall elect a Secretary who may, but need not, be a member of the Local Board*. With that being said the Local Board can elect one of their own members:

- Chair Winslow McNeill
- Chief Mike Sweetser
- Officer William Gleeson
- Citizen Dennis Gilliam
- Citizen Melissa Wallace

Please allow me to also recommend that in their deliberations that the Local Board consider two Town of Eagar employees who would also be competent choices:

- Zona Gilliam, Police Department Administrative Assistant
- Katie Brady, Deputy Town Clerk (will become the Town Clerk after October 6th).

C. Composition of the Board and Conduct of Meetings

1. **Composition.** The membership of each Local Board is determined by whether the participating employer is a political subdivision, Indian tribal nation, state agency, non-profit corporation or fire district, as set forth in A.R.S. § 38-847(A).
2. **Chair.** The provisions for electing a Chair are found in A.R.S. § 38-847(A). For political subdivisions and Indian tribal nations, the Mayor or Chief Elected official or their designee shall serve as Chair of their respective Local Boards. The Chair may, in his/her absence, designate an alternate to act as Chair. In the absence of the Chair or the Chair's designee, an acting Chair shall be elected by the majority vote of the Local Board.
3. **Secretary.** Pursuant to A.R.S. § 38-847(M), the Local Board shall elect a Secretary who may, but need not, be a member of the Local Board.